

Fairfax County Economic Index

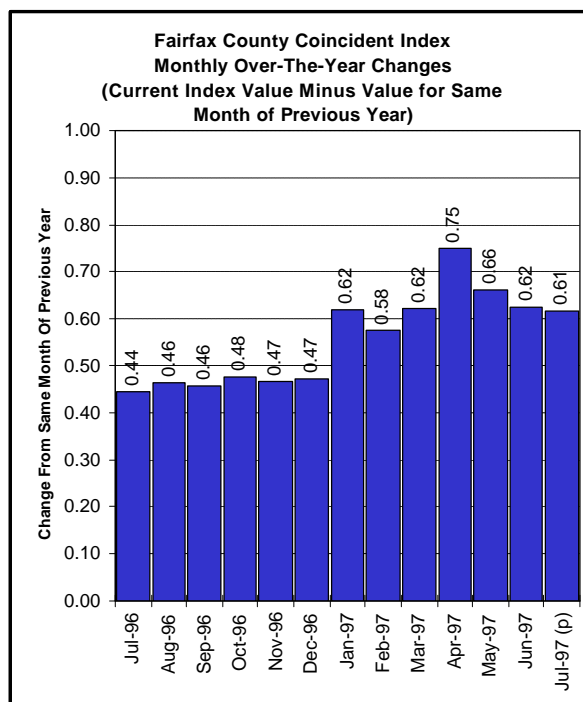
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Economy Expands in July, Outlook Good For Remainder of Year

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, grew 0.09 percent in July and has now increased for five consecutive months. Over the past 12 months, the Index has been positive in nine months and gained a total of 0.6 percent. This trend has resulted in the Index's monthly track diverging from its 12-month moving average, confirming that the growth of the County's economy has been slowly accelerating this year. In July, three of the Index's four component were positive.

- Total employment increased sharply in July after slipping marginally in June and has now increased in ten of the last 12 months;
- Transient Occupancy Tax collections were up for a second month in a row and for the fourth time since January; and
- Sales tax receipts increased following two months of decline; while
- Consumer confidence slipped after having gained for four consecutive months.

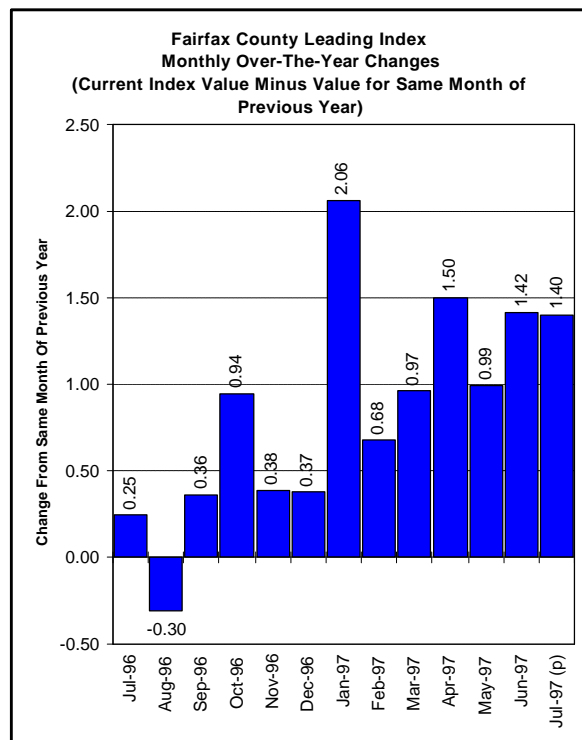


Source: GMU Center for Regional Analysis.

The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy nine to 12 months in advance, decreased slightly in July, losing 0.07 percent. While this is the third monthly decline in the Index so far this year, year-to-date, the Index has been strongly positive, gaining 1.1 percentage points. For the past 12 months, the Index is up 1.36 percent.

We are on the web at:

www.co.fairfax.va.us/comm/economic/economic.htm



Source: GMU Center for Regional Analysis.

This positive trend dating back into the fourth quarter of 1996 points to the economy's continued expansion through 1997 and into 1998. Three of the Index's five components contributed to its slight decline in July.

- Initial claims for unemployment insurance increased (worsened) in July for only the second time this year;
- Consumer expectations (consumer confidence six months hence) decreased for the second month and for the fourth time in five months; and
- The mean value of residential building permits declined moderately reversing the year's positive trend; while
- New automobile registrations were up for a second month in a row and for the third time in four months; and
- Residential building permits increased sharply following two months of decline.

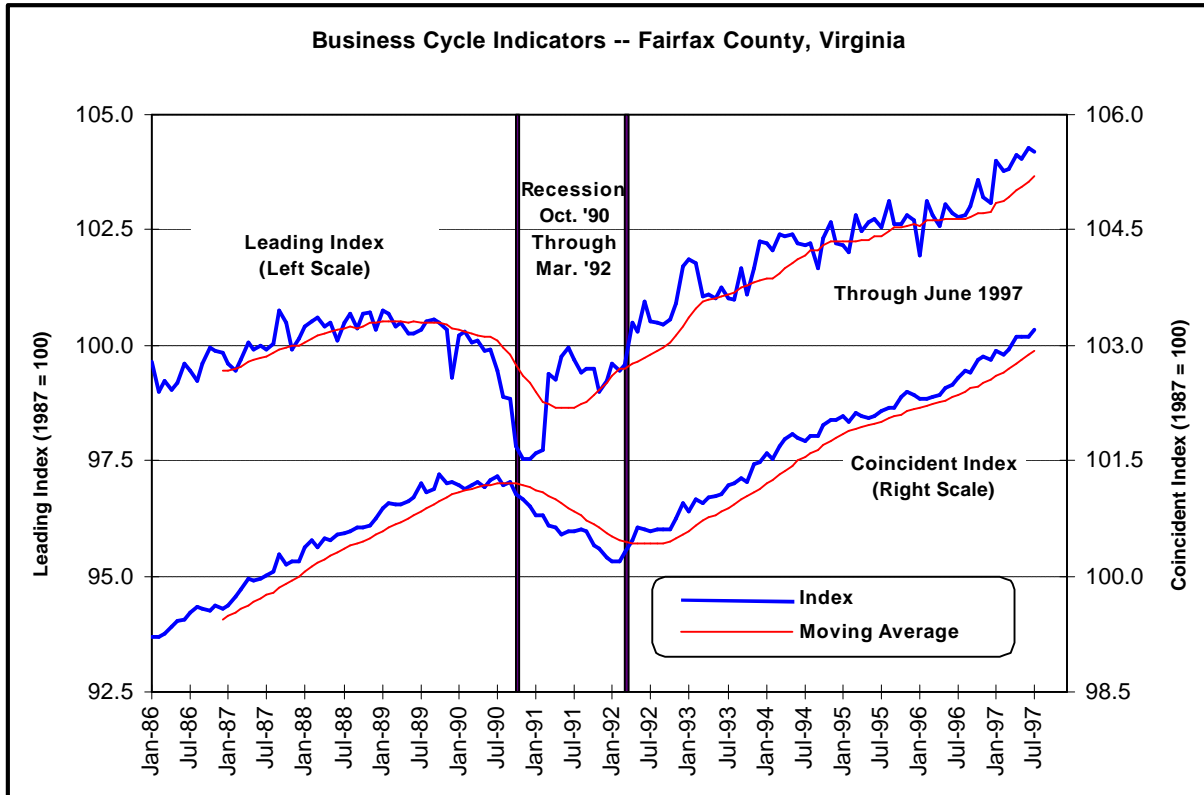
CURRENT CONDITIONS

The continuing strength of the Fairfax County economy is clearly evident in the performance of its coincident indicators. Year-to-date, the Index has increased in six of seven months and its rate of gain has slowly accelerated over a period extending back to early 1996. The results of this progressively stronger economy are seen in the real growth of all economic indicators over the last 12 months.

Most impressive has been the 4.1 percent gain in the County's employment base. Since July 1996, 17,577 net new jobs have been added to the County's economy. All sectors enjoyed job gains over this period with business services and engineering and management services, retail trade and construction accounting for a disproportional share of these gains.

This strong job growth performance has kept the County's unemployment rate relatively steady at 2.3 percent, well below the 3.4 percent metropolitan average. Additionally, initial claims for unemployment insurance, while increasing slightly in July, have fallen 19.9 percent over the last 12 months. These positive labor market conditions are reflected in areawide indicators, too, with the Help Wanted Index up 4.2 percent over the year and recruitment advertising lineage in the *Washington Post* for the year's first six months running 17 percent ahead of last year for the same period.

Consumer spending has also been driving the economy's expansion. Favorable economic conditions have been reflected in the growth of consumer confidence which is up 20.0 percent since July 1996. While consumer confidence slipped slightly in July, its current level remains just under its post-recession peak and has contributed to a strong positive trend in retail spending this year. Overall, retail sales tax collections for July 1997 in Fairfax County increased 8.5 percent over last July, on an inflation-adjusted basis, well ahead of the 5.5 percent gain in retail sales estimated for the Washington metropolitan area. With continued strong consumer confidence and an expanding employment base, consumer spending should remain



Source: GMU Center for Regional Analysis.

strong through the holiday shopping season, making an important contribution to the economy's health during the fourth quarter.

NEAR-TERM OUTLOOK

The Leading Index moved to a higher level early in 1997 with a major bounce in January and strong monthly gains in April and June. As the leading indicators are volatile by design, in order to be sensitive to changing economic conditions, one month's marginal decline or increase is not important by itself. It is the trend and its comparison to the longer term pattern of performance that points to the future direction of the economy. In this context, the Leading Index is currently reflecting its strongest performance since the early stages of the recovery five years ago. Year-to-date, all leading indicators have improved since last year and the gap between the Index's current values and its 12-month moving average is the largest since 1994.

Consumer confidence in the future—consumer expectations—is up 20.0 percent since July 1996. While there has been some erosion in this indicator over the summer, consumer spending for “big ticket” purchases has remained strong. Automobile sales, which were soft early in the year, were up 7.8 percent in July compared to June and residential building permits, a measure of future housing demand, registered a one-month seasonally adjusted gain of 38.3 percent. Over the year, residential permits have increased 11.9 percent. The growth of interest-rate sensitive purchases provides a good measure of the confidence that consumers have in the future performance of the economy.

These trends bode well for the remainder of the year, with consumer spending fueling the County's economic growth into 1998. However, this positive trend is vulnerable to increased interest rates. At this time, there is some concern that the Federal Reserve Board may still tighten interest rates this year. If this occurs, the County's economic performance would likely moderate slightly from its currently projected pattern.

Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Jul-97 Prelim.	Jun-97 Final	Jul-96 Final	Jun-97 to Jul-97	Jul-96 to Jul-97
Fairfax County Business Cycle Indicators					
Coincident Index (1987 = 100)	103.21	103.11	102.59	0.09	0.60
Leading Index (1987 = 100)	104.19	104.27	102.80	-0.07	1.36
Fairfax County Coincident Index Components					
Total Covered Employment (Seasonally Adjusted)	449,144	446,445	431,567	0.60	4.07
<i>Total Covered Employment (Unadjusted)</i>	<i>451,488</i>	<i>452,842</i>	<i>433,820</i>	<i>-0.30</i>	<i>4.07</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	289.3	279.2	245.9	3.63	17.64
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>408.5</i>	<i>347.0</i>	<i>339.4</i>	<i>17.73</i>	<i>20.36</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	6,718.8	6,519.8	6,191.7	3.05	8.51
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>8,090.9</i>	<i>8,669.4</i>	<i>7,480.2</i>	<i>-6.67</i>	<i>8.16</i>
South Atlantic Consumer Confidence	159.5	161.8	137.6	-1.42	15.92
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	5,853	5,432	5,782	7.75	1.22
<i>Automobile Registrations (Unadjusted)</i>	<i>6,654</i>	<i>6,118</i>	<i>6,574</i>	<i>8.76</i>	<i>1.22</i>
Initial Unemployment Claims (Seasonally Adjusted)	842	801	1,051	5.11	-19.89
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>842</i>	<i>760</i>	<i>1,051</i>	<i>10.79</i>	<i>-19.89</i>
South Atlantic Consumer Expectations	109.7	116.1	91.4	-5.51	20.02
Residential Building Permits (Number of Units, Seasonally Adjusted)	583	421	521	38.27	11.88
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>612</i>	<i>477</i>	<i>547</i>	<i>28.30</i>	<i>11.88</i>
Average Residential Building Permit Value (\$='87 Per Unit, Seasonally Adjusted)	67,004	78,849	64,711	-15.02	3.54
<i>Average Residential Building Permit Value (\$=Current Per Unit, Unadjusted)</i>	<i>90,404</i>	<i>108,874</i>	<i>85,490</i>	<i>-16.96</i>	<i>5.75</i>
Fairfax County Labor Force					
Total Labor Force (Seasonally Adjusted)	533,905	527,833	#N/A	1.15	#N/A
<i>Total Labor Force (Unadjusted)</i>	<i>546,324</i>	<i>535,983</i>	<i>#N/A</i>	<i>1.93</i>	<i>#N/A</i>
Unemployment Rate (Percent, Seasonally Adjusted)	2.35	2.30	#N/A	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>2.35</i>	<i>2.58</i>	<i>#N/A</i>	<i>--</i>	<i>--</i>

Notes: All components included in the indices are seasonally adjusted. In addition, those expressed in dollar value (Average Building Permit Value, Transient Occupancy Tax, and Sales Tax) are expressed in constant 1987 dollars. Initial Claims are inverted prior to inclusion in the Leading Index; that is, an increase in claims results in a decrease in the index and visa versa. Because of its quarterly collection schedule, the Transient Occupancy Tax is smoothed. Unadjusted data (*italics*) and Fairfax County Labor Force data are not included in either index, but are shown for informational purposes. All percent changes are calculated from unrounded data.

Inquiries should be directed to:

The Fairfax County
Office of Management and Budget
12000 Government Center Parkway
Suite 561
Fairfax, Virginia 22035-0074

(703) 324-2391 or 1-800-828-1120 (TDY)